

AMENDED IN SENATE JULY 2, 2003

Senate Concurrent Resolution

No. 39

Introduced by Senators Johnson, Karnette, Knight, and Romero
(Coauthors: Assembly Members Campbell, Dutton, Haynes, and
Shirley Horton)

June 26, 2003

Senate Concurrent Resolution No. 39—Relative to municipal
utilities.

LEGISLATIVE COUNSEL'S DIGEST

SCR 39, as amended, Johnson. Municipal utilities: exit fees.

This measure would ~~direct the Public Utilities Commission to exempt, in its regulations,~~ *declare that the Legislature intends that* any municipal utility serving customers in newly developed areas *shall be exempt* from any exit fees, as long as the municipal utility was formed before June 1, 2003, and demonstrates that it has expended in good faith significant amounts of money and resources toward the creation of a municipal utility ~~serving that will serve~~ customers in newly developed areas.

Fiscal committee: ~~yes~~ no.

1 WHEREAS, Before September 20, 2001, a handful of
2 responsible cities took action to invest millions of dollars toward
3 the planning of a municipal utility, including public hearings,
4 feasibility studies, detailed economic studies, and the hiring of
5 legal, technical, and financial experts to demonstrate that the
6 municipal utility would be economically feasible, as well as
7 reliable. Moreover, these cities invested hundreds of hours of staff
8 time towards the development of a municipal utility; and

1 WHEREAS, Municipal utilities seeking to serve customers in
2 newly developed areas of their service territory should not be
3 burdened with exit fees or cost recovery surcharges because no
4 customers existed in those areas before and, therefore, no benefits
5 were received; and

6 WHEREAS, Long-term contracts executed by the Department
7 of Water Resources to stabilize the market amount to less than 25
8 percent of the energy requirements of the electrical corporations,
9 and those long-term contracts begin terminating in 2005; and

10 WHEREAS, It is apparent the long-term contracts could not
11 have anticipated purchasing power for these few cities adding
12 newly developed areas, because over 75 percent of the electrical
13 corporations' energy needs are procured elsewhere; and

14 WHEREAS, The handful of new municipal utilities will serve
15 a miniscule portion of the state's power load; and

16 WHEREAS, The burden of the exit fees and cost recovery
17 surcharges would be an unreasonable imposition on cities that
18 expended tremendous amounts of staff resources and finances on
19 creating a municipal utility without any reasonable expectation
20 that they would be subject to those fees; and

21 WHEREAS, The ability of the Public Utilities Commission to
22 regulate municipal utilities is limited by the California
23 Constitution; now, therefore, be it

24 *Resolved by the Senate of the State of California, the Assembly*
25 *thereof concurring, That the Public Utilities Commission, in*
26 *enacting regulations, shall exempt That the Legislature intends*
27 *that any municipal utility serving customers in newly developed*
28 *areas shall be exempt from any exit fees, as long as the municipal*
29 *utility was formed before June 1, 2003, and demonstrates that it*
30 *has expended in good faith significant amounts of money and*
31 *resources toward the creation of a municipal utility serving that*
32 *will serve customers in newly developed areas; and be it further*

33 *Resolved, That the Secretary of the Senate transmit copies of*
34 *this resolution to the author for appropriate distribution.*